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JULY 9. A. M.

THE Demand and Price SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON D. C. BAE JUNE 1948

Approved by the Outlook and Situation Board, June 30, 1948

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SUMMARY

Consumer demand for farm products continues exceptionally strong. The average of all prices received by farmers in mid-June had regained more than half of the sharp decline in February and was only 4 percent below the January record. Most of the recent advance was due to higher prices for meat animals. However, prices of fruits continued at low levels, averaging 32 percent below June, 1947. Prospects are favorable for another year of heavy crop production. In general, price adjustments to new crop conditions are likely to be small, except for feeds which will decline substantially if the corn crop is as much above last year as prospects indicate.

Total economic activity in the nation continues at record levels, with little evidence of any weakening. Unemployment is the lowest so far this year and consumer incomes are rising because of third round wage rate increases. Consumer demand for new automobiles and houses is likely to exceed probable production in 1948.

Prices are moving upward. Wholesale prices are close to last January's peak and the retail price level in urban communities is now above the January level.

Commodity highlights

Meat and meat animal prices are at new highs and may increase further this summer and early fall as meat production declines seasonally. Strong demand for milk and milk products also is being reflected in record prices to farmers. High consumer demand for cigarettes and an improved outlook for exports under the European recovery program are favorable demand factors for flue-cured marketings which begin in late July. Prices of wheat are now close to the loan level and may average above the loan level in the 1948-49 marketing year. If weather continues favorable for corn this summer, prices of feed grains are expected to average considerably lower in 1948-49.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base Period	1947 Year	1948 Apr.	Feb.	Mar.	Apr.	May
Industrial production 1/	1935-39						
Total	= 100	187	187	194	192	188	192
All manufactures	do.	194	194	201	200	195	198
Durable goods	do.	220	222	226	229	217	222
Nondurable goods	do.	172	172	180	177	177	178
Minerals	do.	149	143	155	142	147	163
Construction activity 1/	1935-39						
Contracts, total	= 100	274	232	326	315	315	
Contracts, residential	do.	348	301	373	363	377	
Wholesale prices 2/	1926=						
All commodities	100	152	148	161	161	163	164
All commodities except farm and food	do.	135	132	148	148	148	149
Farm products	do.	181	177	185	186	187	189
Food	do.	169	162	172	174	177	177
Prices received and paid by farmers 3/	1910-14 = 100						
Prices received, all prod.	do.	278	276	279	283	291	289
Prices paid, int. & taxes	do.	231	229	248	247	249	250
Parity ratio	do.	120	121	112	115	117	116
Consumers' price 5/ 6/	1935-39						
Total	= 100	159	156	168	167	169	170
Food	do.	194	188	205	202	208	211
Nonfood	do.	140	138	147	147	148	
Income							
Nonagricultural payments 4/	Bil.dol.	174.8	168.3	184.1	184.8	184.6	
Income of industrial workers 3/	1935-39 = 100	332	317	354	360	342	
Factory payrolls 5/	do.	353	338	377	381	369	
Weekly earnings of factory workers 5/							
All manufacturing	Dollars	49.26	47.50	51.79	52.07	51.56	
durable goods	do.	52.47	50.34	54.89	55.36	54.81	
Nondurable goods	do.	45.87	44.40	48.54	48.58	48.01	
Employment							
Total civilian 7/	Millions	58.0	56.7	57.1	57.3	58.3	58.7
Nonagricultural 7/	do.	49.8	48.8	50.4	50.5	50.9	50.8
Agricultural 7/	do.	8.3	7.9	6.8	6.8	7.4	7.9
Government finance (Fed.) 8/	Mil.dol.						
Receipts, net	do.	3,665	2,556	4,336	6,334	2,806	2,707
Expenditures	do.	3,462	4,001	2,402	3,546	3,109	2,604

Annual data for the years 1929-47 appear on page 17 of the March 1948 issue of the Demand and Price Situation.

Sources: 1/Federal Reserve Board, converted to 1935-39 base. 2/U. S. Dept. of Labor, BLS. 3/U. S. Dept. of Agriculture, BAE, to convert prices received and prices paid, interest and taxes, to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/U. S. Dept. of Commerce revised figures employing new concepts, seasonally adjusted at annual rate. 5/U. S. Dept. of Labor, BLS. 6/Consumers' price index for moderate-income families in large cities. 7/U. S. Dept. of Commerce, Bureau of the Census. 8/ U. S. Dept. of Treasury. Data for 1947 are on average monthly basis.

OUTPUT AND EMPLOYMENT

Industrial production increased in May as steel and bituminous coal output recovered from the effects of the work stoppage in coal mining. The seasonally adjusted index was 192 (1935-39=100), 4 points above April, 7 points above May, 1947, but still 2 points below the February peak.

Although the recovery in steel production raised the total output of durable goods, it remained below the postwar record of March because of the decline in motor vehicle output. Labor-management disputes, steel shortages and model changeovers reduced the output of motor vehicles in May to the lowest level so far this year. The index of durable goods output in May was 222, 5 points above April, 4 points above May, 1947 but 7 points below the record of March.

Nondurable goods production in May increased 1 point above the April level of 176. Increases in activity in the rayon textiles and petroleum industries more than offset declines in output of leather goods and rubber products. The index in May was 8 points above May, 1947 but 2 points below the record in February.

Total industrial activity was about the same in June as in May. Insufficient steel continued to restrict production of automobiles.

INCOME AND RELATED FACTORS

Personal income in April, increased to a seasonally adjusted annual rate of 209 billion dollars, 1.4 billion greater than in March, and almost 20 billions greater than in April, 1947. However, the flow of personal income in April was more than 2 billions less than the record rate of January, 1948 when agricultural prices and income were at their peaks. Almost all of the increase from March to April resulted from a rise in agricultural income as prices received by farmers recovered moderately from the declines in February. Nonagricultural income remained at about 185 billion dollars. Advances in agricultural prices and in employment and wage rates indicate a further rise in personal income in May.

Salary and wage receipts in April were down slightly to 126 billion dollars reflecting curtailed operations resulting from labor-management disputes and steel shortages. Receipts in April were 2.4 billions less than the January peak.

Dollar sales at department stores, seasonally adjusted, reached a new postwar record of 308 (1935-39=100) in May, 5 points above the previous high of April, 1948 and December, 1947. Sales in May were 17 points higher than in May, 1947.

Consumer intentions to buy durable goods, as reported by the Federal Reserve Board, were about the same at the beginning of 1948 as a year ago. These intentions indicate that demand for automobiles, housing, furniture, refrigerators and other consumer durable goods will continue extremely strong this year. Generally, buyers with incomes of less than $3,000 intended to buy less than a year ago. This was offset by an increased number of consumers in the higher income groups, a larger percentage of whom expressed intentions to buy these goods in 1948.

When the survey was made in early 1948, more consumers planned to buy new houses and automobiles than will be produced this year. With such strong consumer demand, there is little likelihood of any easing in prices of new houses and new automobiles this year, despite prospects for near-record output.

GROSS NATIONAL PRODUCT

A comprehensive view of the operations of the Nation's economy during the first quarter of 1948 is now available. This is provided by the gross national product estimates made by the U. S. Department of Commerce which measure the value of the total production of goods and services at market prices. These estimates indicated a noticeable slackening during the first quarter of 1948 in the rate of increase in the money value of the gross national product. This reflected an easing of the inflationary tendencies which characterized general economic conditions during the fourth quarter of 1947.

Table 1. - Gross national product or expenditures, U. S., 1947, and first quarter, 1948

Component	1947	Quarterly totals at seasonally adjusted annual rates				
		1947				1948
		First Qtr.	Second Qtr.	Third Qtr.	Fourth Qtr.	First Qtr.
		Bil.dol.	Bil.dol.	Bil.dol.	Bil.dol.	Bil.dol.
Gross national product	229.6	221.6	226.9	229.4	240.9	244.3
Personal consumption expenditures	164.4	156.9	162.3	165.8	172.5	173.2
Durable goods	19.8	18.2	19.3	20.2	21.3	20.7
Nondurable goods	99.3	94.7	98.4	99.9	104.2	104.3
Services	45.3	44.0	44.6	45.7	47.0	48.2
Gross private domestic investment	27.8	28.2	26.1	27.0	29.9	36.0
New construction	10.7	10.3	9.6	10.4	12.4	13.1
Residential nonfarm	4.9	4.4	4.1	4.8	6.3	6.6
Other	5.7	5.8	5.5	5.6	6.1	6.5
Producers durable equipment	17.9	16.4	17.9	18.4	18.8	18.8
Change in business inventories	-.7	1.6	-1.4	-1.7	-1.3	4.1
Net foreign investment 1/	8.7	8.3	10.4	7.8	8.2	4.2
Government purchases of goods and services 2/	28.7	27.6	28.2	28.7	30.3	31.0

1/ This component is approximately equal to the net exports of goods and services which were financed by U. S. Government and private loans or through the sale of foreign assets.

2/ Includes U. S. Government grants to foreign countries.

Gross national product in the first quarter in 1948 was 244 billion dollars (annual rate), about 1 1/2 percent above the rate in the fourth quarter last year and 11 percent higher than in the first quarter in 1947. Most of the rise from the previous quarter was due to the heaviest accumulation of inventories since the last half of 1946. This was only partly offset by a marked reduction in net foreign investments.

Consumer expenditures during the first quarter of 1948 were at an annual rate of 173 billion dollars, less than a billion dollars larger than in the fourth quarter of 1947. This increase was the smallest since the war's end and indicated a flattening in consumer demand. It is also significant that the large increase in inventory accumulation in this period was concentrated at the retail level, indicating that sales did not come up to expectation.

However, estimates of the gross national product for the second quarter of 1948 probably will show that additions to consumer income through income tax reductions and substantial wage rate increases probably resulted in a higher rate of consumer expenditures. Sales at department stores (seasonally adjusted) reached a new postwar peak in May.

Gross private domestic investment increased sharply from an annual rate of about 30 billion dollars in the fourth quarter of 1947 to 36 billions in the first quarter of 1948, largely due to the sharp increase in inventories. However, new construction also increased in both value and volume above fourth quarter levels. Expenditures for producer's durable equipment remained at the postwar high of 18.8 billion dollars reached during the fourth quarter of 1947. Further increases in these expenditures are likely to be small in view of the working-off of back-logs, the completion or near-completion of many expansion programs, and the fact that additional supplies of materials and labor are limited.

Net foreign investment, on the other hand, declined sharply during the first quarter of 1948. United States exports were substantially reduced while imports rose to a new postwar record. The decline in net foreign investment was due primarily to a sharp reduction in the sale of foreign assets to finance purchase in the U. S. However, the decline in commercial exports was offset to some extent by expanded direct foreign aid under the Interim Aid Program of the Government. The latter is included in the Government expenditures component of the gross national product. Even with the expected step-up in Government expenditures under the European recovery program, shipments of goods on foreign account later this year are not likely to equal the peak periods of 1947.

Government expenditures increased to 31 billion dollars (annual basis) in the first quarter of 1948, chiefly reflecting expanded foreign aid. Not all of the increase in Government aid expenditures is reflected in the total since it was offset to a large extent by liquidation of Government inventories, including surplus goods.

COMMODITY PRICES

The general level of commodity prices continued to move upward in May and early June. The monthly BLS index of wholesale prices in May was 164 (1926=100), up 2 percent from the February average, the low point so far this year, and 12 percent above May a year ago. By the middle of June, the weekly index of wholesale prices was close to the January record. In view of rising consumer incomes and increasing expenditures for national

defense and foreign aid, the upward trend in the general commodity price level is likely to continue. The demand pressures are greatest in the durable goods industries, particularly metals, which are now operating close to capacity.

The BAE index of prices received by farmers in mid-June was 295 (1909-14=100), 2 percent above May. This is 4 percent below the January, 1948 postwar peak of 307 and 9 percent above June, 1947. Truck crops continued their seasonal decline, falling 19 percent below May. Food grains dropped 5 percent from the previous month as marketings from the new crop became heavy.

Table 1. - Group indexes of prices received by farmers June 15, 1948, with comparisons

(August 1909 - July 1914=100)

Group	June 15, 1948	May 15, 1948	June 15, 1947	Percentage change from May 15, 1948	Percentage change from June 15, 1947
Food grains	249	261	253	- 5	- 2
Feed grains and hay	278	282	240	- 1	+16
Cotton	284	284	275	0	+ 3
Tobacco	370	370	390	0	- 5
Oil-bearing crops	364	357	318	+ 2	+14
Fruit	155	141	228	+10	-32
Truck crops	213	262	215	-19	- 1
All crops	261	267	262	- 2	1/
Meat animals	390	361	338	+ 8	+15
Dairy products	291	291	233	0	+25
Poultry and eggs	221	211	205	+ 5	+ 8
Livestock and products	326	309	278	+ 6	+17
Crops and livestock and products	295	289	271	+ 2	+ 9

1/ Less than one-half percent decrease.

The 10 percent rise in the index for fruit was chiefly seasonal, but was still 32 percent below the June 1947 figure. Prices of meat animals topped by 3 percent the previous peak of 379 in January 1948, and are expected to continue at this level or higher. The major advances over the same month of last year were in feed grains and hay, oil-bearing crops, meat animals, and dairy products.

The BAE index of prices paid by farmers, interest and taxes in June, up 1 point from 250 in May, equaled the previous record of 251 for January 1948. This is 9 percent above the same month of last year. The parity ratio--the index of prices received by farmers divided by the index of prices paid, including interest and taxes--was 118, 2 points above last month and the same as in June a year ago.

The BLS index of urban consumer prices was 170 (1935-39=100) in May, 1 point above the April figure and a new high. The June index was probably as high or slightly higher.

FINANCING OF U. S. EXPORTS

The value of U. S. exports of all goods and services in the first quarter of 1948 was lower than in any quarter of 1947. Exports, during the period were at an annual rate of 17.8 billion dollars, above the total of 15.0 billions for 1946 but 10 percent below the record total of 19.7 billions in 1947. The decline from 1947 was largely due to the dollar shortages in foreign countries.

Table 2. - Sources of dollars used by foreign countries to finance total United States exports of goods and services in specified periods

(Billions of dollars)

	U. S. exports of goods and services	Sources of dollars used by foreign countries to finance U. S. exports			
		U. S. imports of goods and services	Sale of gold and short-and long term dollar assets by foreign countries (Net)	U. S. Govt. grants and long-term loans to foreign countries (Net)	Other sources and balancing item. (Net) 1/
	(1)	(2)	(3)	(4)	(5)
1935-39 ann. average	4.0	3.4	1.1	2/(-) 0.1	(-) 0.4
1946	15.0	7.2	2.0	5.0	0.8
1947					
1st. qtr. (ann. rate)	19.3	8.1	4.8	5.2	1.2
2nd. qtr. (ann. rate)	21.1	8.6	4.6	7.9	--
3rd. qtr. (ann. rate)	19.2	8.3	3.4	6.8	0.7
4th. qtr. (ann. rate)	19.4	8.9	5.3	2.9	2.3
Year	19.7	8.5	4.5	5.7	1.0
1948					
1st. qtr. (ann. rate)	17.8	9.9	1.5	3/5.8	0.6
Est. Year				4/6.3	

1/ Includes loans of U. S. dollars by the International Bank and by the International Monetary Fund. In 1947 these loans totaled 761 million dollars. 2/ Includes private loans and remittances to foreigners. 3/ Includes no European Recovery Program funds since the advance of 1 billion was authorized April 3, 1948. 4/ Includes an estimate of the utilization during 1948 of 2.4 billions for the European Recovery Program and of 3.9 billions for all other foreign grants and loans by the U. S. Government.

Significant changes in the means of financing U. S. shipments abroad occurred during the first 3 months of this year. The value of U. S imports rose to a new postwar record of almost 10 billion dollars, on an annual basis, reflecting the improvement in world economic conditions. Foreign countries reduced by two-thirds their sales of gold and dollar assets to finance purchases of U. S. commodities and services. U. S. Government grants and long-term loans in the first quarter of 1948 were approximately the same as the 1947 quarterly average.

The European recovery program and other foreign aid measures authorized in early April will increase U. S. Government grants and loans over the first quarter rate. On the basis of the appropriations for the new programs and existing balances of previous programs, it is estimated that total U. S. Government grants and loans used by foreign countries in 1948 will be about 6.3 billion dollars. If the other means of financing are maintained through 1948 near the levels of the first quarter, U.S. exports of goods and services in 1948 may be down only about 5 percent from the 1947 record.

FARM INCOME

Farmers received around 2.2 billion dollars from the sale of their products in June, 5 percent more than in May and a little more than in June a year ago. Receipts from livestock and products probably were 1.5 billion dollars, slightly above May, 1948 and June, 1947. Crop receipts were about 0.7 billion dollars, 8 percent above May and nearly the same as a year ago. Prices that farmers received averaged 9 percent higher than last June. Crop prices were about the same but prices of livestock and products were nearly one-fifth above a year ago.

Although marketings of meat animals probably were larger than in May, they continued smaller than a year ago. Because of higher prices, cash receipts from meat animals were almost the same as last June.

Total milk production was seasonally higher than in May, prices were about the same, and cash receipts were up a little. Production was down slightly from a year ago, but because of increased prices cash receipts were one-fourth higher than last June.

Receipts from poultry and eggs in June showed the usual seasonal decline, and were about the same as in June last year. Because of a reduction in number of layers, egg production was down from a year ago. Although prices were slightly higher, receipts from eggs were lower. A decrease in the sales of chickens from last June was offset by an increase in price, and receipts remained about the same. With more broilers started this year, receipts from broilers were larger.

Total crop receipts in June were seasonally higher than in May, as the winter wheat crop began to flow to market from some of the Southern States. Crop prices as a whole were down slightly from May, and about the same as last year.

Receipts from vegetables in June were above a year ago because of higher prices. Receipts from fruits were down sharply, reflecting a smaller peach crop and lower prices for cherries and citrus fruits.

For the first 6 months of the year, total receipts from farm marketings were about 12.8 billion dollars, 5 percent above the same period last year. Receipts from livestock and products were about 8.2 billion dollars, 4 percent above 1947, and crop receipts were 4.6 billion dollars, 6 percent above last year. Higher prices of meat animals nearly offset smaller marketings during the first half of the year, and cash receipts from meat animals were only a little below last year. Because of relatively small supplies of feed more hogs were marketed but sales of cattle, calves, sheep, and lambs were lower than last year.

While total milk production during the first six months was slightly below last year, prices were 15 percent higher, and receipts from dairy products were well above a year ago.

Receipts from poultry and eggs were 5 percent higher than in the first half of last year. Slightly smaller quantities of both eggs and chickens were sold at higher prices.

A large part of the gain in crop receipts in the first half of 1948 was due to a substantial gain in receipts from vegetables, including potatoes, resulting mostly from higher prices. Receipts from wheat were a little above last year, reflecting higher average prices for the period as a whole. Larger marketings and higher prices also resulted in greater receipts from cotton in the first 6 months of 1948 compared with 1947. Despite higher corn and tobacco prices, marketings from the 1947 crops were down, and cash receipts were not so great as a year ago. While marketings of fruit were about the same as last year, prices averaged one-third lower, and receipts were down substantially.

LIVESTOCK AND MEAT

After the packing strike ended in late May, prices of meat animals rose considerably. Hog prices made their first sharp advance since January. Cattle prices continued the rise that had been under way for several weeks. Wholesale meat prices rose less than prices of live animals. The difference, which had been unusually wide during April and early May, narrowed rapidly.

In early June, prices of hogs averaged about the same as a year earlier, and continued low compared with the new record for cattle. Likewise, pork was lower than usual relative to beef. Hog slaughter in early June continued about as large as a year earlier and approached a peak for the spring season. In contrast, slaughter of cattle and lambs continued substantially below last year and was about as small as at any time this year.

Meat and meat-animal prices this summer and early fall may increase above present levels as meat production decreases seasonally. If consumer demand remains strong, they also are likely to decline less than usual in the fall and early winter, since meat production is expected to increase less than usual for that time of year. Any gain in consumer income this summer when meat supplies are seasonally low would accentuate the rise in prices.

Total meat output in April-June was around 10 percent less than a year earlier. During the rest of the summer it is expected to remain below last year by about the same percentage and may even fall further below last year in the fall and early winter when spring pigs will be marked. Slaughter of each class of livestock in the second half of 1948 will be smaller than a year earlier.

Even though the 1947 fall pig crop was 3 percent larger than the 1946 fall crop, fewer hogs were on farms June 1 than a year earlier. This indicates that slaughter in June-September will be moderately less than a year earlier. Hogs from the fall pig crop were marketed earlier than usual this year, and the number over 6 months of age June 1 was 2 percent less than on June 1, 1947.

The 1948 spring pig crop was estimated at 51.4 million head, 3 percent less than the 1947 spring crop and the smallest since 1941. Farmers reported about June 1 that they intended to have 4.9 million sows farrowing in the 1948 fall season. If they carry out these intentions, and if an average number of pigs is saved per litter, the 1948 fall pig crop will total around 31 million, 1 percent less than a year earlier.

Hog slaughter is not expected to increase as much as usual from summer to winter this year. Total slaughter in the year beginning October, 1948 will be slightly smaller than in 1947-48. Also, slaughter of spring pigs next fall and winter will be a little later than usual, because farrowings were late and more especially because of prospects that 1948 feed grain crops will relieve the present shortages. So long as feed prospects continue favorable farmers are likely to hold back hogs for the new crops, resulting in a greater than seasonal drop in marketings this summer, relatively small marketings in October-December, and relatively large marketings in January-March 1949.

DAIRY PRODUCTS

Domestic demand for milk and milk products will continue very high, at least through the rest of 1948, and will be supplemented by moderate export demand. Into-storage movement in volume is now underway for most items and will continue as a significant price element for the next few months. All this adds up to record prices for farmers through most of the remainder of 1948.

Since the beginning of 1948, prices for butter and cheese have decreased less than seasonally. Prices of most other items have increased contra-seasonally. As a result of these trends, prices to farmers for wholesale milk in mid-May were one-fourth higher than a year earlier. Butterfat prices were up about one-third. Prices for dairy products in general are now in a more nearly normal relationship to prices of other farm products than in June 1947.

Consumption of fluid milk and cream in the United States during the first 4 months of 1948 apparently was about the same as a year earlier. Retail milk prices recently have been about 10 percent higher than a year ago. Consumer incomes also were 10 percent higher and total milk supplies were smaller. During June, production of all major manufactured dairy products were not so much below 1947 as earlier in the year, though the overall level was still 10 to 15 percent below that of a year earlier. In the second 6 months of this year, the proportion of milk used in manufacturing may increase relative to 1947. This would result from reduced fluid use of milk in part because of higher prices for bottled milk.

POULTRY AND EGGS

Egg prices in mid-June, though near support levels, were slightly higher than last year. Prices for the remainder of the year are likely to continue higher than a year ago. Purchases for price support so far this year have been very small, amounting to 30 million dozen shell egg equivalent compared with 200 million dozen in the same period last year.

Egg prices in the first quarter of 1949 are likely to be higher than during the same quarter of 1948, largely because of decreased supplies. Egg production during the early part of 1949 will be at least 5 percent less than in 1948.

Turkey and chicken prices in mid-June were higher than in any previous June. Turkey prices in the 1948 holiday season are expected to be at least 10 percent higher than last year and a new record, as supplies will be about 20 percent below last year. Little change is expected in chicken prices.

Poultry and egg prices are low compared with those of any other livestock or livestock products, except wool. The index of prices received by farmers for poultry and eggs in June was 221 (1910-14=100). The index of prices received by farmers for dairy products was nearly 300 and for meat animals almost 400.

FATS, OILS AND OILSEEDS

The exceptionally wide variation among prices of food and soap fats in May was narrowed somewhat during June. Prices of inedible tallow and greases averaged about 16 cents per pound in June compared with 14 cents in May. Prices of crude cottonseed, corn, and peanut oils in late June were about 33 cents per pound, slightly below the May averages. Since output of cottonseed oil will rise seasonally after July, and production of lard and grease will decline seasonally during July-September, a further narrowing of the price differences between edible vegetable oils and animal fats is likely.

The Chicago wholesale price of butter (92-score) averaged about 81 cents per pound in June, slightly higher than in April and May. The seasonally adjusted index of wholesale butter prices in June was about 305 (1935-39=100) compared with an average of 240 in 1947. The June index of wholesale prices of 26 major fats and oils, excluding butter, was about 295 compared with 293 in May and an average of 285 in 1947.

The 1948 spring pig crop is estimated to have been 51 million head, 3 percent less than a year earlier. Farmers' plans on June 1 indicated that the 1948 fall pig crop may total about 31 million, 1 percent fewer than in 1947. These reductions probably will be reflected in a slightly lower output of lard and grease in the year beginning October, 1948 than a year earlier. In most past years, lard output has varied rather closely with the size of the pig crops. Production of lard in October, 1947-September, 1948 probably will total about 2300 million pounds.

CORN AND OTHER FEED

Price prospects for feed grains for the last half of 1948 depend to a considerable extent on the development of the corn crop. If favorable weather for corn continues, prices of feed grains are expected to decline during the last half of the year and to average considerably lower in 1948-49 than in the current feeding year. In this event, producers will have more favorable livestock-feed price ratios in 1948-49.

Corn and oats prices held at the May level through mid-June, while barley and wheat prices have started their seasonal decline. In mid-June, the price of corn at Chicago was about $8.00 per ton higher than wheat at Kansas City. Prices of oilseed meals and some of the other byproduct feeds advanced in early June to levels more nearly in line with feed grain prices.

Prices of oats, barley, and grain sorghums continue well above the loan rates for the 1948 crops. The loan rates on these grains, although varying by counties and States, average 70 cents per bushel for oats, $1.15 per bushel for barley, and $2.31 per 100 pounds for grain sorghum. The loan rate on 1948 corn will be announced this fall and will be based on 90 percent of parity at the beginning of the 1948-49 marketing year. In mid-June, the parity price of corn was $1.60 per bushel.

Prospects for feed grains in early June were much more favorable than a year ago. Larger crops of oats and barley are in prospect. Planting of the corn crop was practically completed in early June and made good progress during the month. With average growing conditions this summer, the feed grain supply for 1948-49 probably will be about 10 to 15 percent larger than in 1947-48. Pasture conditions in early June were about the same as the average for the past 10 years. The hay supply in prospect for 1948-49 is a little smaller than the large hay supply of last year, but it is expected to be ample for the smaller number of livestock on farms.

WHEAT

Prices of new wheat are now close to the loan level and may average above the loan level in the 1948-49 marketing year. The national average loan rate to farmers for the 1948 wheat crop, announced June 30 was $2.00 a bushel or 90 percent of $2.22, the parity price at the beginning of the marketing year. This compares with the loan rate of $1.84 last year. The loan price for No. 2 Hard Winter at Kansas City would be about $2.23 and for No. 1 Dark Northern at Minneapolis $2.25. Cash prices at Kansas City in late June were close to the prospective loan level, while prices at Minneapolis were about 15 cents above the loan. With the harvest earlier in the hard winter wheat area, prices adjust to new supply conditions earlier than in the spring wheat area. Prices for the 1947 crop reached their low point at Kansas City on July 7 and in Minneapolis on August 30.

U. S. wheat production was estimated as of June 1 at 1,192 million bushels, consisting of 877 million of winter and 315 million of spring wheat. A total crop of this size, although 172 million bushels under last year's record crop, would be the second largest of record and one-fourth above the 10 year average.

Preliminary estimates of domestic use, in million bushels are: food 500, feed 175, seed 90 and alcohol 2, making a total of 767. On the basis of these figures, a crop of 1,192 million bushels would leave 425 million bushels for export in 1948-49 and addition to carry-over July 1, 1949.

The crop outlook in Europe as a whole continues favorable and prospects indicate that the 1948 bread grain production will exceed 1946 and 1947 but will be about 15 percent below prewar. In the ERP countries, the current tentative estimate indicates a bread grain crop only about 5 percent below the average production of 1935-39. The relatively low production in some of the countries offsets to some extent expansion of grain growing in the British Isles, Ireland, and Turkey since the outbreak of the war. Before the war, countries in the ERP group supplemented their own production by importing 13 million tons of wheat and rye, or over 25 percent of their consumption.

The larger European grain crops, if realized, and if amply supplemented by imports, would permit some countries to abandon rationing of bread, and others to increase their rations. However, because of the increase in population, the low level of reserve stocks of all food products, changes in the channels of trade, and the need for using food grains as a substitute for other foods in short supply, import requirements for wheat and rye in European countries will continue to be large and above prewar.

The United States exported about 485 million bushels of wheat during the marketing year 1947-48 and increased its carry-over by about 90 million bushels. If the 1948 crop turns out as now indicated, or 170 million bushels less than last year, the supply available for export may be between 300 and 400 million bushels. The quantity of U. S. exports will depend largely upon the outturn of the Canadian crop. Canadian acreage is less than last year and dry conditions are reported. Also, Argentina is now seeding another very small acreage of wheat. While our exports in 1948-49 will be sizeable, the U. S. carry-over in July 1, 1949 is expected to be higher than the 175 million bushels indicated for July 1, 1948.

FRUIT

Grower prices for most 1948 -crop deciduous fruits probably will be about as high this sujmer as a year earlier, and production will be smaller. Prices for oranges may be slightly higher than last summer and this spring, because the near-average crop of California Valencias is 17 percent smaller than last season's crop. Supplies of lemons are expected to be about as large as last summer and prices probably will average no higher. Although supplies of grapefruit will be seasonably small in summer, they will be about as large as last summer and prices probably will be about as high. Fresh citrus fruit this summer will face competition from unusually large supplies of canned citrus juices.

Prices that growers will receive for peaches in July, coming mostly from the 37 percent smaller crop in the 10 early Southern States, are expected to average higher than in July, 1947. Prices probably will decline seasonally later in the summer but average above last year. With prospects for smaller crops of apples and pears this summer than last, prices may average slightly higher than a year earlier.

COMMERCIAL TRUCK CROPS

For Fresh Market

Primarily because of the reduced tonnage in prospect for shipment to the fresh market during early summer, prices received by farmers in July for snap beans, cucumbers, lettuce, green peas, tomatoes, and watermelons

probably will be moderately to considerably higher than a year earlier. On the other hand, lower prices are expected for cabbage, carrots, celery, onions, green peppers, and mid-summer crop of cantaloups. On the average, prices received for fresh market commercial truck crops are expected to be near those of a year earlier during July but moderately lower in August.

For Processing

Total demand for most vegetables produced for commercial processing is expected to be nearly as strong as last year. Packers' and wholesale distributors' stocks of major items of canned and frozen vegetables have been declining more rapidly in recent months than a year earlier. Stocks of canned peas and tomatoes are somewhat larger than last year but stocks of canned snap beans, corn, and tomato juice are smaller. Cold-storage holdings of frozen vegetables on June 1 compared to a year ago are considerably higher for lima beans, but slightly smaller for green peas and considerably smaller for all other frozen vegetables. Total frozen vegetable holdings were nearly 30 percent smaller than last year. Early reports from processors indicate their packing operations this year in the several vegetables will range from moderately less to considerably more than last year. The reductions are expected to be largest in tomatoes and spinach and the increases largest in cabbage (contract average) for kraut, and beets.

POTATOES AND SWEETPOTATOES

Consumer demand for potatoes this summer is expected to be about the same as last summer. Supplies of commercial early potatoes are larger than last year and more than adequate. The Government has bought and continues to buy large quantities of the new crop to support prices to growers at 90 percent of parity as required by law. While demand for potatoes this year appears to be no stronger than last year, support prices are about one-quarter of a cent per pound higher this year because of the rise in the index of prices paid by farmers.

Sweetpotatoes from the 1947 crop are no longer available in most markets. Although the first carload of 1948 crop sweetpotatoes was shipped from Florida the second week of June, it will be a month or two before sweetpotatoes become generally available in volume.

DRY EDIBLE BEANS AND PEAS

Non-recourse loans will be the principal feature of the recently announced price-support programs for 1948-crop dry beans and peas. The loan rate for beans will be $5 per 100 pounds of sound, whole, dry edible beans. For most classes of smooth peas, the loan rate will be $3.50 per 100 pounds of sound, whole peas. These rates are about one-third lower than the probable support prices. Growers who tender their beans or peas in payment of a loan will receive the difference between the loan rate and the higher support price. The grower support price level for beans will be 90 percent of parity as of September 1, 1948 and for peas it will be 90 percent of the comparable (substitute parity) price as of July 1, 1948.

With stocks of 1947-crop beans and peas running low and demand continuing strong, grower prices advanced moderately in June to levels considerably above supports. Beans and peas have moved readily into foreign outlets this season, primarily for relief feeding and seed use.

COTTON

Cotton prices in the 10 spot markets in mid-June were about 3/4 cent per pound lower than at the beginning of the month and more than 1-2/3 cents per pound lower than the season's highest reached in mid-April. Middling 15/16" averaged 36.93 cents per pound on June 21, compared to 38.00 a month earlier and 37.32 a year ago.

Domestic demand for cotton is limited to small lots for prompt shipment. Export buying is somewhat more active but demand is mostly for the better qualities which are in short supply.

Prices for most textiles continue to decline with the result that demand for forward delivery is slow and actual purchases are on a day-to-day basis.

Mill consumption in May totaled 785,000 bales, compared with 830,000 bales in April and 807,000 in May 1947. The daily rate of consumption remained the same as in April, although the usual seasonal decline is about 3 percent. Last year, the decline from April to May was 7.5 percent.

Exports of 155,000 bales during April brought the total so far this season to 1.5 million bales - just slightly more than one-half as much as the August-April exports last year. It is now expected that cotton exports for the full 1947-48 season may not be much over 2 million bales.

WOOL

Demand for fine and half-blood staple wools is continuing strong. Prices being paid for choice fine staple territory wool in the West range between $1.60 and $1.75 per pound, clean basis, compared with the CCC purchase price of $1.31 and the price of comparable Australian wool at Boston, in bond, of $1.82.

The sharp rise in wool prices during May and June was reflected in prices received by growers. In June, the farm price for wool was 49.5 cents a pound, 7.7 cents higher than in April and 7.8 cents above the price for June 1947.

During the first four months of this year, imports of apparel wool (dutiable) for consumption were 206 million pounds (actual weight basis), 2 million pounds over a year ago. Imports of carpet wool (duty-free) during the same period, however, totaled 132 million pounds (actual weight basis), an increase of 132 percent over a year earlier.

During January-April 1948, consumption of apparel wool totaled 348 million pounds, grease basis, consisting of 171 million pounds of domestic and 177 million pounds of foreign wool. Average weekly mill consumption, scoured basis, during this period was 7.2 percent below the rate for the same period in 1947.

At the end of the first quarter, stocks of apparel wool held by mills and dealers and by the Commodity Credit Corporation totaled 661 million pounds (grease basis), 146 million pounds or 18 percent below a year ago. CCC holdings decreased 169 million pounds, while private stocks increased 23 million pounds.

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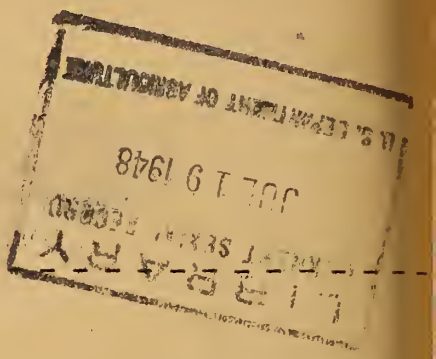

TOBACCO

High cigarette consumption and the improved outlook for exports under the European recovery program will be favorable demand factors when flue-cured marketings begin in late July. Price supports will be 10 percent higher than last year because of the increase in flue-cured parity prices. Consumer demand for cigarettes during 1948 is expected to continue strong. Tax-paid withdrawals of cigarettes in May were 28 billion, 14 percent above May 1947. Production during the 1948 fiscal year is estimated at close to 375 billion or about 14 billion above the 1947 fiscal year total.

Cigar consumption during the first 5 months of 1948 was slightly above the same period in 1947. The 1948 fiscal year total is estimated at approximately 5.7 billion--almost the same as the 1947 fiscal year. Prices for the 1947 crop of most cigar types were lower than the previous year. Exceptions were Connecticut Havana Seed type 52, and the shade grown wrapper types 61 and 62. Sharp declines in prices occurred in the Wisconsin types.

Maryland tobacco prices at auctions averaged 43.4 cents per pound through June 25. This compares with last season's auction average of 44.7 cents per pound. About 18.8 million pounds or approximately half of the 1947 crop has been sold at auctions and in the Baltimore hogshead market. Exports of Maryland tobacco during January-April 1948 were about one-quarter less than in the same period last year but are expected to increase as the effects of the European recovery program are more widely spread.

Total tobacco exports in April increased from the low point of March but was about one-fifth less than April 1947. The total value of authorizations by the Economic Cooperation Administration for tobacco purchases as of June 26 was 20 million dollars. The United Kingdom, Denmark, and Norway were the countries allocated these funds.

Tax-paid withdrawals of manufactured tobacco (smoking and chewing) for January-May were about 7 percent higher than last year. Snuff consumption, January-May, has been running about 10 percent above the same period of 1947.